

**NORTH MAHASKA COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2016**



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**North Mahaska Community School District  
Board of Education and School District Officials  
Year ended June 30, 2016**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2015 Election)</b>		
Dirk Wilkin	President	2015
Tina Layman	Vice President	2015
Sherrill Strobel	Board Member	2015
Ryan Augustine	Board Member	2017
Dan Gruber	Board Member	2017
<b>(After September 2015 Election)</b>		
Dirk Wilkin	President	2019
Dan Gruber	Vice President	2017
Ryan Augustine	Board Member	2017 (Resigned Nov. 2015)
Arvin DeBoef	Board Member	2017 (Appointed Dec. 2015)
Keith Foster	Board Member	2019
Sherrill Strober	Board Member	2019
<b>School District Officials</b>		
Angela Livezey	Superintendent	2016
Cindy Quang	District Secretary/Treasurer	2016
Andrew Bracken	Attorney	Indefinite



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
North Mahaska Community School District  
New Sharon, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the North Mahaska Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Mahaska Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ending June 30, 2008 and we audited the financial statements for the seven years ended June 30, 2015, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of the North Mahaska Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Mahaska Community School District's internal control over financial reporting and compliance.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

March 16, 2017

**North Mahaska Community School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

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This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**2016 Financial Highlights**

- The General Fund June 30, 2016 fund balance decreased to \$1,090,839 from the June 30, 2015 fund balance of \$1,138,480. The net change in fund balance was \$47,641. The reason of the decrease in fund balance was because the district is no longer on the 101% budget guarantee and the expense for the instructional area increased slightly. Overall, a very healthy general fund balance.
- The District's tax levy was decreased from \$11.93 in 2015-16 to \$11.62 in 2016-17 due primarily to not reserving an additional cash levy amount and the special education negative balance decrease. The district's tax levy remained low compared to many districts in Iowa. SILO funds that were used to lower the tax rate required to pay debt service requirements continues to keep property taxes lower. In 2011, the debt was refinanced for a savings of over \$60,000 to the district. An instructional support levy was passed by the board and went into effect in the 2015-16 school year.
- Special education negative balance has decreased from \$189,432 in 2015-16 to \$130,914 in 2016-17. The decrease in special education negative balance has lowered the cash reserve levy.
- The district experienced an enrollment increase of 6.7 students from the previous year. Due to the enrollment increase the district was no longer on the 101% budget guarantee for the 2015-2016 school year.
- The capital projects funds were used for construction projects which included the fire wall in the bus barn, new LED lighting in the auditorium and electrical upgrades to the Welding Academy. Because of the debt refinancing and lower payments for debt service, a larger portion of the SILO funds are available for other projects including a one-to-one computer lap top program, vehicles, and equipment.
- In May 2016 the district bonded against the SILO fund for a \$3,580,000 revenue bond to renovate the high school office, science rooms, media center, family consumer science room and added an all-weather track. No debt levy was incurred and the payment of the bond will be paid with the SILO funds. The district will have SILO money available because the elementary bond will be paid off in May 2017.

**Using This Annual Report**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net position and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

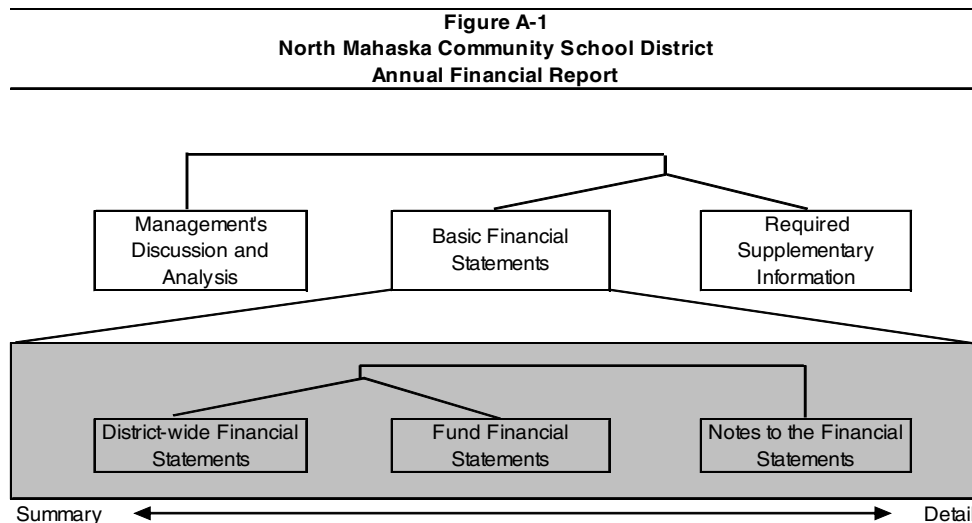


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required Financial Statements	> Statement of Net Position > Statement of activities	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances	> Statement of Net Position > Statement of revenues, expenses and changes in fund Net Position > Statement of cash flows	> Statement of fiduciary Net Position > Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## **Reporting The District's Financial Activities**

### **Government-Wide Financial Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is one way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**North Mahaska Community School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

- Private-Purpose Trust Fund – The District accounts for outside donations for Scholarships for individual students in this fund.
- Agency Funds: These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for the District employee purchases. The District has only one Agency Fund which holds the employee funds contributed by employees through payroll for use in the medical and dependent care flexible spending program.

**Government-wide Financial Analysis**

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

<b>Figure A-3 Condensed Statement of Net Position</b>							
	<b>Governmental Activities June 30,</b>		<b>Business type Activities June 30,</b>		<b>Total District June 30,</b>		<b>Total Change June 30,</b>
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 9,452,656	5,500,688	43,661	42,327	9,496,317	5,543,015	71.3%
Capital assets	5,489,377	5,658,449	20,169	22,552	5,509,546	5,681,001	-3.0%
Total assets	14,942,033	11,159,137	63,830	64,879	15,005,863	11,224,016	33.7%
Deferred outflows of resources	711,435	398,890	22,697	3,098	734,132	401,988	82.6%
Long-term liabilities	6,472,792	2,440,435	77,370	64,277	6,550,162	2,504,712	161.5%
Other liabilities	705,351	399,675	-	-	705,351	399,675	76.5%
Total liabilities	7,178,143	2,840,110	77,370	64,277	7,255,513	2,904,387	149.8%
Deferred inflows of resources	3,271,379	3,333,997	17,120	21,509	3,288,499	3,355,506	-2.0%
Net Position:							
Invested in capital assets, net of related debt	4,895,047	5,347,833	20,169	22,552	4,915,216	5,370,385	-8.5%
Restricted	1,836,531	1,565,504	-	-	1,836,531	1,565,504	17.3%
Unrestricted	(1,527,632)	(1,529,417)	(28,132)	(40,361)	(1,555,764)	(1,569,778)	-0.9%
Total Net Position	\$ 5,203,946	5,383,920	(7,963)	(17,809)	5,195,983	5,366,111	-3.2%

**North Mahaska Community School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

<b>Figure A-4 Changes in Net Position</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues:							
Program revenues:							
Charges for service	\$ 831,919	896,494	134,853	138,474	966,772	1,034,968	-6.6%
Operating grants, contributions and restricted interest	897,121	949,437	149,726	130,239	1,046,847	1,079,676	-3.0%
Capital grants and contributions	-	-	-	6,480	-	6,480	-100.0%
General revenues:							
Property tax	2,578,288	2,712,857	-	-	2,578,288	2,712,857	-5.0%
Local option sales and service tax	638,238	640,414	-	-	638,238	640,414	-0.3%
Unrestricted state grants	1,929,279	1,893,759	-	-	1,929,279	1,893,759	1.9%
Unrestricted investment earnings	3,366	620	2	2	3,368	622	441.5%
Other	141,727	51,240	-	-	141,727	51,240	176.6%
Total revenues	<u>7,019,938</u>	<u>7,144,821</u>	<u>284,581</u>	<u>275,195</u>	<u>7,304,519</u>	<u>7,420,016</u>	<u>-1.6%</u>
Program expenses:							
Governmental activities:							
Instruction	4,809,146	4,235,629	-	-	4,809,146	4,235,629	13.5%
Support services	1,687,383	1,532,008	-	-	1,687,383	1,532,008	10.1%
Non-instructional programs	8,552	8,062	274,735	295,030	283,287	303,092	-6.5%
Other expenses	692,837	586,765	-	-	692,837	586,765	18.1%
Total expenses	<u>7,197,918</u>	<u>6,362,464</u>	<u>274,735</u>	<u>295,030</u>	<u>7,472,653</u>	<u>6,657,494</u>	<u>12.2%</u>
Change in Net Position	(177,980)	782,357	9,846	(19,835)	(168,134)	762,522	-122.0%
Net position beginning of year, as restated	5,381,926	4,601,563	(17,809)	2,026	5,364,117	4,603,589	16.5%
Net position end of year	<u>\$ 5,203,946</u>	<u>5,383,920</u>	<u>(7,963)</u>	<u>(17,809)</u>	<u>5,195,983</u>	<u>5,366,111</u>	<u>-3.2%</u>

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses for the year ended June 30, 2016 compared to the year ended June 30, 2015.

<b>Figure A-5 Total and Net Cost of Governmental Activities</b>						
	Total Cost of Services		Change	Net Cost of Services		Change
	2016	2015		2016	2015	
Instruction	\$ 4,809,146	4,235,629	13.5%	3,306,036	2,618,410	26.3%
Support services	1,687,383	1,532,008	10.1%	1,672,059	1,515,113	10.4%
Non-instructional programs	8,552	8,062	6.1%	8,552	8,062	6.1%
Other expenses	692,837	586,765	18.1%	482,231	374,948	28.6%
Totals	<u>\$ 7,197,918</u>	<u>6,362,464</u>	<u>13.1%</u>	<u>5,468,878</u>	<u>4,516,533</u>	<u>21.1%</u>

### **Governmental Activities**

The District saw a decrease in total net position of \$177,980 due to the increase in instructional expenses.

### **Business Type Activities**

Revenues for business type activities were \$284,581 and expenses were \$274,735. Net position increased \$9,846 from (\$17,809) to (\$7,963). The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income.

### **Individual Fund Analysis**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,108,367 which is \$3,586,644 more than the balance of \$2,521,723 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2016, compared with where we were on June 30, 2015. You can find these figures in the year-end reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Fund Highlights**

#### *General Operating Fund*

In the General Fund, we had revenues and other financing sources of \$5,673,223. We had expenditures and other financing uses of \$5,720,864. Therefore, we ended the year \$47,641 in the red. We started the year with a balance of \$1,138,480, so we ended the year with a balance of \$1,090,839. The decrease is due primarily to not being on the 101% budget guarantee.

#### *Management Fund*

In the Management Fund, we had expenditures of \$216,046 and revenues of \$237,904. Therefore, we ended the year \$21,858 in the black. We started the year with \$153,609, we ended the year with a balance of \$175,467. Approximately \$220,000 will be added to this fund through the Management Levy passed for the 2015-16 budget. The fund is now used for the early retirement program, insurance premiums and unemployment claims. Money from this fund can be spent on insurance (other than employee health), tort liability claims, unemployment claims, and qualifying early retirement payments

#### *Physical Plant and Equipment Levy (PPEL)*

In PPEL we had expenditures of \$26,164 and revenues of \$71,847 meaning we were \$45,683 in the black. We started the year with \$105,371 we finished with a balance of \$151,054. Non-instructional software and equipment over \$500 like water cooler filler, filtration system for Welding Academy and high school gym wall mats were purchased with PPEL money.

#### *Capital Projects*

We started the year with a balance of \$1,007,000 in all capital projects funds. We had expenditures of \$1,025,186 and revenues of \$4,636,798. The fund balance is now \$4,618,612 (an increase of \$3,611,612). The huge increase in fund balance is due to the revenue bond that was issued for the high school renovation and all-weather track project. This revenue bond will be use to renovate the high school office, science rooms, media center, family consumer science room and an all-weather track. The debt service is now being paid totally by one-cent sales tax funding. No taxes are being assessed to retire the debt. .

#### *Activity Fund*

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance was \$222,634. At the end of the year, it was \$223,449. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black.

**North Mahaska Community School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

**Proprietary Fund Highlights**

*Nutrition Fund*

The nutrition fund started the year with a balance of (\$17,809) (this balance was restated from the ending balance of the prior year, due to GASB 68). Revenues for the year totaled \$284,581 while expenditures totaled \$274,735 leaving a balance of negative \$7,963 a difference of \$9,846 in the black.

**Budgetary Highlights**

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

**Capital Assets and Debt Administration**

**Capital Assets**

On June 30, 2016, the District had invested \$5,509,546 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$301,935.

The original cost of the District's capital assets was \$10,142,410. Of this amount \$193,926 was in the Proprietary, School Lunch Fund.

<b>Figure A-6</b>							
<b>Capital Assets, net of Depreciation</b>							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Land	\$ 95,250	95,250	-	-	95,250	95,250	0.0%
Buildings	4,497,622	4,601,107	-	-	4,497,622	4,601,107	-2.2%
Improvements other than buildings	414,881	448,378	-	-	414,881	448,378	-7.5%
Furniture and equipment	481,624	513,714	20,169	22,552	501,793	536,266	-6.4%
<b>Totals</b>	<b>\$ 5,489,377</b>	<b>5,658,449</b>	<b>20,169</b>	<b>22,552</b>	<b>5,509,546</b>	<b>5,681,001</b>	<b>-3.0%</b>

**North Mahaska Community School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

**Long-Term Debt**

On June 30, 2016, the District had \$100,000 in general obligation bonds. This represents a decrease of approximately 51% from the previous year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements. Refinancing of the district bonds resulted in a savings of over \$60,000 for the life of the bonds. Future bond payments will run through 2017 and will be paid entirely by one-cent options sales tax funds.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
	Total District		Total Change
	June 30,		June 30,
	2016	2015	2015-2016
General obligation bonds	\$ 100,000	205,000	-51.2%
Bond premium, net	-	1,992	-100.0%
Bond discount, net	-	(1,117)	-100.0%
Revenue bonds	3,580,000	-	-
Capital lease	285,161	104,741	172.3%
Early retirement	3,500	13,500	-74.1%
Compensated absences	7,177	5,923	21.2%
Net pension liability	2,339,105	1,973,182	18.5%
Other postemployment benefits	157,849	137,214	15.0%
Totals	\$ 6,472,792	2,440,435	165.2%

**Economic Factors Bearing on the District's Future**

The district remains in sound financial condition. Open enrollment is increasing in our district. Due to the open enrollment increase the district will need to spend more money on instructional supplies, furniture and teachers to reduce class size. An instructional support levy that was approved in 2014-15 will help to cushion the expected shortfall. The one cent local option sales tax (SILO) will continue to be a big help for many projects and will help retire debt. The SILO revenues can help with authorized purchases but is very limited in the type of expenditures allowed. The school plans to do a \$3,580,000 high school renovation project to remodel the high school office, science rooms, media center, family consumer science rooms and an all-weather track. With the elementary bond retiring in May 2017, that will leave the SILO money to pay off the new high school renovation debt. All of these factors will keep the district in a tight budgeting environment.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Quang, Business Manager, or Angela Livezey, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

## **Basic Financial Statements**

**North Mahaska Community School District**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,457,051	37,532	6,494,583
Receivables:			
Property tax:			
Delinquent	28,904	-	28,904
Succeeding year	2,575,965	-	2,575,965
Income surtax	76,888	-	76,888
Accounts	11,809	-	11,809
Due from other governments	302,039	-	302,039
Inventories	-	6,129	6,129
Capital assets, net of accumulated depreciation	5,489,377	20,169	5,509,546
<b>Total assets</b>	<b>14,942,033</b>	<b>63,830</b>	<b>15,005,863</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	711,435	22,697	734,132
<b>Liabilities</b>			
Accounts payable	136,259	-	136,259
Salaries and benefits payable	555,177	-	555,177
Accrued interest payable	13,915	-	13,915
Long-term liabilities:			
Portion due within one year:			
Early retirement	3,500	-	3,500
General obligation bonds	100,000	-	100,000
Revenue bonds	235,000	-	235,000
Obligations under capital lease	70,609	-	70,609
Compensated absences	7,177	-	7,177
Portion due after one year:			
Revenue bonds	3,345,000	-	3,345,000
Obligations under capital lease	214,552	-	214,552
Net pension liability	2,339,105	68,219	2,407,324
Net OPEB liability	157,849	9,151	167,000
<b>Total liabilities</b>	<b>7,178,143</b>	<b>77,370</b>	<b>7,255,513</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,575,965	-	2,575,965
Income surtax	76,888	-	76,888
Pension related deferred inflows	618,526	17,120	635,646
<b>Total deferred inflows of resources</b>	<b>3,271,379</b>	<b>17,120</b>	<b>3,288,499</b>
<b>Net Position</b>			
Net investment in capital assets	4,895,047	20,169	4,915,216
Restricted for:			
Management levy purposes	175,467	-	175,467
Physical plant and equipment	151,054	-	151,054
Capital projects	1,096,727	-	1,096,727
Student activities	223,449	-	223,449
Categorical funding	189,834	-	189,834
Unrestricted	(1,527,632)	(28,132)	(1,555,764)
<b>Total net position</b>	<b>\$ 5,203,946</b>	<b>(7,963)</b>	<b>5,195,983</b>

See notes to financial statements.



**North Mahaska Community School District**  
**Statement of Activities**  
**Year ended June 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
<b>Functions/Programs</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,055,190	365,028	529,871	-	(2,160,291)	-	(2,160,291)
Special	768,908	131,183	131,548	-	(506,177)	-	(506,177)
Other	985,048	335,708	9,772	-	(639,568)	-	(639,568)
	<u>4,809,146</u>	<u>831,919</u>	<u>671,191</u>	<u>-</u>	<u>(3,306,036)</u>	<u>-</u>	<u>(3,306,036)</u>
Support Service:							
Student	137,208	-	-	-	(137,208)	-	(137,208)
Instructional staff	159,193	-	-	-	(159,193)	-	(159,193)
Administration	565,297	-	-	-	(565,297)	-	(565,297)
Operation and maintenance of plant	516,353	-	-	-	(516,353)	-	(516,353)
Transportation	309,332	-	15,324	-	(294,008)	-	(294,008)
	<u>1,687,383</u>	<u>-</u>	<u>15,324</u>	<u>-</u>	<u>(1,672,059)</u>	<u>-</u>	<u>(1,672,059)</u>
Non-instructional programs	<u>8,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,552)</u>	<u>-</u>	<u>(8,552)</u>
Other expenditures:							
Facilities acquisition	241,657	-	-	-	(241,657)	-	-
Long-term debt interest	82,516	-	-	-	(82,516)	-	(82,516)
AEA flowthrough	210,606	-	210,606	-	-	-	-
Depreciation (unallocated)*	158,058	-	-	-	(158,058)	-	(158,058)
	<u>692,837</u>	<u>-</u>	<u>210,606</u>	<u>-</u>	<u>(482,231)</u>	<u>-</u>	<u>(482,231)</u>
Total governmental activities	<u>7,197,918</u>	<u>831,919</u>	<u>897,121</u>	<u>-</u>	<u>(5,468,878)</u>	<u>-</u>	<u>(5,468,878)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	274,735	134,853	149,726	-	-	9,844	9,844
	<u>274,735</u>	<u>134,853</u>	<u>149,726</u>	<u>-</u>	<u>-</u>	<u>9,844</u>	<u>9,844</u>
Total primary government	<u>\$ 7,472,653</u>	<u>966,772</u>	<u>1,046,847</u>	<u>-</u>	<u>(5,468,878)</u>	<u>9,844</u>	<u>(5,459,034)</u>

**North Mahaska Community School District**  
**Statement of Activities**  
**Year ended June 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Contributions and Restricted Interest	Operating Grants, Contributions and Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 7,472,653	966,772	1,046,847	-	(5,468,878)	9,844	(5,459,034)
General Revenues:							
Property tax levied for:							
General purposes					2,506,982	-	2,506,982
Capital outlay					71,306	-	71,306
Statewide sales, services and use tax					638,238	-	638,238
Unrestricted state grants					1,929,279	-	1,929,279
Unrestricted investment earnings					3,366	2	3,368
Other					141,727	-	141,727
Total general revenues					5,290,898	2	5,290,900
Change in net position					(177,980)	9,846	(168,134)
Net position beginning of year, as restated					5,381,926	(17,809)	5,364,117
Net position end of year					\$ 5,203,946	(7,963)	5,195,983

\* This amount excludes the depreciation included in the direct expenses of the various programs

See notes to financial statements.

**North Mahaska Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Debt Service	Capital Projects	Non-major	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 1,497,972	-	4,562,634	396,445	6,457,051
Receivables:					
Property tax:					
Delinquent	25,634	-	799	2,471	28,904
Succeeding year	2,267,767	-	73,169	235,029	2,575,965
Income surtax	76,888	-	-	-	76,888
Accounts	11,809	-	-	-	11,809
Due from other governments	197,733	-	104,306	-	302,039
<b>Total assets</b>	<b>\$ 4,077,803</b>	<b>-</b>	<b>4,740,908</b>	<b>633,945</b>	<b>9,452,656</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 87,132	-	49,127	-	136,259
Salaries and benefits payable	555,177	-	-	-	555,177
Total liabilities	642,309	-	49,127	-	691,436
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,267,767	-	73,169	235,029	2,575,965
Income surtax	76,888	-	-	-	76,888
Total deferred inflows of resources	2,344,655	-	73,169	235,029	2,652,853
Fund balances:					
Restricted for:					
Categorical funding	189,834	-	-	-	189,834
Management levy purposes	-	-	-	175,467	175,467
Student activities	-	-	-	223,449	223,449
School infrastructure	-	-	4,467,558	-	4,467,558
Physical plant and equipment	-	-	151,054	-	151,054
Unassigned	901,005	-	-	-	901,005
Total fund balances	1,090,839	-	4,618,612	398,916	6,108,367
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,077,803</b>	<b>-</b>	<b>4,740,908</b>	<b>633,945</b>	<b>9,452,656</b>

See notes to financial statements.

Exhibit D

**North Mahaska Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
June 30, 2016**

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**Total fund balances of governmental funds (Exhibit C)** \$ 6,108,367

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 5,489,377

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$	711,435	
Deferred inflows of resources		(618,526)	92,909

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Long-term liabilities, including bonds payable, accrued interest, early retirement, obligations under capital lease, net pension liability, compensated absences and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	(100,000)		
Revenue bonds	(3,580,000)		
Accrued interest	(13,915)		
Early retirement	(3,500)		
Obligations under capital lease	(285,161)		
Net pension liability	(2,339,105)		
Net OPEB liability	(157,849)		
Compensated absences	(7,177)		(6,486,707)

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**Net position of governmental activities (Exhibit A)** \$ 5,203,946

See notes to financial statements.

**North Mahaska Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2016**

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 2,286,578	-	71,306	220,404	2,578,288
Tuition	468,351	-	-	-	468,351
Other	61,636	-	61,603	353,159	476,398
Intermediate sources	11,809	-	-	-	11,809
State sources	2,630,261	-	638,728	1,515	3,270,504
Federal sources	199,905	-	-	-	199,905
Total revenues	5,658,540	-	771,637	575,078	7,005,255
Expenditures:					
Current:					
Instruction:					
Regular	2,654,468	-	377,475	39,077	3,071,020
Special	775,092	-	-	-	775,092
Other	672,154	-	-	336,359	1,008,513
	4,101,714	-	377,475	375,436	4,854,625
Support services:					
Student	123,633	-	-	428	124,061
Instructional staff	158,000	-	2,534	428	160,962
Administration	541,412	-	11,090	18,230	570,732
Operation and maintenance of plant	341,028	-	52,459	126,818	520,305
Transportation	244,471	-	5,806	22,513	272,790
	1,408,544	-	71,889	168,417	1,648,850
Non-instructional programs	-	-	-	8,552	8,552
Other expenditures:					
Facilities acquisition	-	-	293,441	-	293,441
Long-term debt:					
Principal	-	209,741	-	-	209,741
Interest and fiscal charges	-	9,429	-	-	9,429
AEA flowthrough	210,606	-	-	-	210,606
	210,606	219,170	293,441	-	723,217
Total expenditures	5,720,864	219,170	742,805	552,405	7,235,244
Excess (deficiency) of revenues over (under) expenditures	(62,324)	(219,170)	28,832	22,673	(229,989)
Other financing sources (uses):					
Proceeds from sale of assets	14,683	-	-	-	14,683
LOSST revenue bonds issued	-	-	3,580,000	-	3,580,000
Bond issuance costs	-	-	(63,211)	-	(63,211)
Proceeds from capital leases	-	-	285,161	-	285,161
Operating transfers in	-	219,170	3,516,789	-	3,735,959
Operating transfers (out)	-	-	(3,735,959)	-	(3,735,959)
Total other financing sources (uses)	14,683	219,170	3,582,780	-	3,816,633
Net change in fund balances	(47,641)	-	3,611,612	22,673	3,586,644
Fund balances beginning of year, as restated	1,138,480	-	1,007,000	376,243	2,521,723
Fund balances end of year	\$ 1,090,839	-	4,618,612	398,916	6,108,367

See notes to financial statements.

**North Mahaska Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2016**

**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 3,586,644**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 130,480	
Depreciation expense	(299,552)	(169,072)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also governmental funds report the effect of bond discounts and premiums, whereas these amounts are deferred and amortized in the Statement of Activities. Current year items are as follows:

Revenue bonds issued	(3,580,000)	
Proceeds from capital leases	(285,161)	
Bond principal repaid	105,000	
Capital lease principal repaid	104,741	
Amortization of bond premiums	1,992	
Amortization of bond discount	(1,117)	(3,654,545)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (10,751)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position 262,755

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows.

Early retirement	10,000	
Compensated absences	(1,254)	
Pension expense	(181,122)	
Other postemployment benefits	(20,635)	(193,011)

**Change in net position of governmental activities (Exhibit B)** **\$ (177,980)**

See notes to financial statements.

**North Mahaska Community School District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2016**

	Enterprise, School Nutrition
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 37,532
Inventories	6,129
Total current assets	<u>43,661</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	193,926
Accumulated depreciation	<u>(173,757)</u>
Total non-current assets	<u>20,169</u>
<b>Total assets</b>	<u><u>63,830</u></u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>22,697</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>-</u>
Total current liabilities	<u>-</u>
Non-current liabilities:	
Net pension liability	68,219
Net OPEB liability	<u>9,151</u>
Total non-current liabilities	<u>77,370</u>
<b>Total liabilities</b>	<u><u>77,370</u></u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>17,120</u>
<b>Net Position</b>	
Net investment in capital assets	20,169
Unrestricted	<u>(28,132)</u>
<b>Total net position</b>	<u><u>\$ (7,963)</u></u>

See notes to financial statements.

## Exhibit H

**North Mahaska Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year ended June 30, 2016**

	Enterprise, School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 134,853
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	97,006
Benefits	37,645
Purchased services	1,016
Supplies	136,685
Depreciation	2,383
Total operating expenses	274,735
Operating loss	(139,882)
Non-operating revenue:	
Interest income	2
State sources	2,280
Federal sources	147,446
Total non-operating revenue	149,728
Change in net position	9,846
Net position beginning of year	(17,809)
Net position end of year	\$ (7,963)

See notes to financial statements.



## Exhibit I

**North Mahaska Community School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year ended June 30, 2016**

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 134,853
Cash payments to employees for services	(145,546)
Cash payments to suppliers for goods or services	(118,458)
Net cash used by operating activities	<u>(129,151)</u>
Cash flows from non-capital financing activities:	
State grants received	2,280
Federal grants received	130,154
Net cash provided by non-capital financing activities	<u>132,434</u>
Cash flows from investing activities:	
Interest on investments	<u>2</u>
Net increase in cash and cash equivalents	3,285
Cash and cash equivalents at beginning of year	<u>34,247</u>
Cash and cash equivalents at end of year	<u><u>\$ 37,532</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (139,882)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,292
Depreciation	2,383
Decrease in inventories	1,951
Increase in other postemployment benefits	1,197
Increase in net pension liability	11,896
(Increase) in deferred outflows of resources	(19,599)
(Decrease) in deferred inflows of resources	(4,389)
Net cash used by operating activities	<u><u>\$ (129,151)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	\$ 37,532
Cash and cash equivalents at year end	<u><u>\$ 37,532</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2016, the District received \$17,292 of federal commodities.

See notes to financial statements.

Exhibit J

**North Mahaska Community School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 274,772	-
Receivables:		
Accounts	-	1,874
<b>Total assets</b>	<b>274,772</b>	<b>1,874</b>
<b>Liabilities</b>		
Excess of warrants issued over bank balance	-	1,874
<b>Total liabilities</b>	<b>-</b>	<b>1,874</b>
<b>Net position</b>		
Reserved for scholarships	274,772	-
<b>Total Net Position</b>	<b>\$ 274,772</b>	<b>-</b>

See notes to financial statements.

Exhibit K

**North Mahaska Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2016**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,853
Interest income	4,547
Unrealized gain on investments	1,793
Total revenues	<u>8,193</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>8,000</u>
Total expenditures	<u>8,000</u>
Change in net position	193
Net position beginning of year	<u>274,579</u>
Net position end of year	<u>\$ 274,772</u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Sharon, Iowa and the predominate agricultural territory in Mahaska and Poweshiek counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Mahaska Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The North Mahaska Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until

then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures did not exceed the amounts budgeted.



**(2) Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2016, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at amortized cost of \$4,328,037 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAm by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects, statewide sales, services and use tax	\$ 219,170
Capital projects, other capital projects	Capital projects, statewide sales, services and use tax	3,516,789
		<u>\$ 3,735,959</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 95,250	-	-	95,250
Total capital assets not being depreciated	95,250	-	-	95,250
Capital assets being depreciated:				
Buildings	7,159,835	48,178	(6,700)	7,214,713
Improvements other than buildings	1,127,695	-	-	1,127,695
Furniture and equipment	1,428,524	82,302	-	1,510,826
Total capital assets being depreciated	9,716,054	130,480	(6,700)	9,853,234
Less accumulated depreciation for:				
Buildings	2,558,728	151,663	6,700	2,703,691
Improvements other than buildings	679,317	33,497	-	712,814
Furniture and equipment	914,810	114,392	-	1,029,202
Total accumulated depreciation	4,152,855	299,552	6,700	4,445,707
Total capital assets being depreciated, net	5,563,199	(169,072)	-	5,407,527
Governmental activities capital assets, net	\$ 5,658,449	(169,072)	-	5,489,377
<b>Business type activities:</b>				
Furniture and equipment	\$ 193,926	-	-	193,926
Less accumulated depreciation	171,374	2,383	-	173,757
Business type activities capital assets, net	\$ 22,552	(2,383)	-	20,169

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 30,416
Other	14,916

Support services:

Instructional support	-
Operation and maintenance of plant	14,582
Transportation	81,580
	141,494

Unallocated depreciation	158,058
Total governmental activities depreciation expense	\$ 299,552

Business type activities:

Food services	\$ 2,383
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 205,000	-	105,000	100,000	100,000
GO bonds discount	(1,117)	-	(1,117)	-	-
GO bonds premium	1,992	-	1,992	-	-
Revenue bonds	-	3,580,000	-	3,580,000	235,000
Early retirement	13,500	-	10,000	3,500	3,500
Compensated absences	5,923	7,177	5,923	7,177	7,177
Obligations under capital lease	104,741	285,161	104,741	285,161	70,609
Net pension liability	1,973,182	365,923	-	2,339,105	-
Net OPEB liability	137,214	20,635	-	157,849	-
Total	<u>\$ 2,440,435</u>	<u>4,258,896</u>	<u>226,539</u>	<u>6,472,792</u>	<u>416,286</u>
	\$ 2,440,435				
Business type activities:					
Net pension liability	\$ 56,323	11,896	-	68,219	-
Net OPEB liability	7,954	1,197	-	9,151	-
Total	<u>\$ 64,277</u>	<u>13,093</u>	<u>-</u>	<u>77,370</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Bond Issue of April 27, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.90%	\$ 100,000	2,900	102,900
Total		<u>\$ 100,000</u>	<u>2,900</u>	<u>102,900</u>

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of May 3, 2016				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.42%	\$ 235,000	100,594	335,594
2018	2.42	240,000	80,949	320,949
2019	2.42	250,000	75,141	325,141
2020	2.42	255,000	69,091	324,091
2021	2.42	260,000	62,920	322,920
2022	2.42	265,000	56,628	321,628
2023	2.42	275,000	50,215	325,215
2024	2.42	280,000	43,560	323,560
2025	2.42	290,000	36,784	326,784
2026	2.42	295,000	29,766	324,766
2027	2.42	305,000	22,627	327,627
2028	2.42	310,000	15,246	325,246
2029	2.42	320,000	7,744	327,744
Total		<u>\$ 3,580,000</u>	<u>651,265</u>	<u>4,231,265</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,580,000 of bonds issued in May 2016. The bonds were issued for the purpose of financing a portion of the costs of infrastructure improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,231,265. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$638,238.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all of the revenue bond provisions during the year ended June 30, 2016.

#### Capital Lease

The District entered into a capital lease arrangement November 16, 2015 for the purchase of computer equipment for the District. The following is a schedule of the future minimum payments required under the lease together with their present value as of June 30, 2016.

Year ending June 30,	Apple Computer, Inc Capital Lease
2017	\$ 75,050
2018	75,050
2019	75,050
2020	75,050
Total minimum lease payments	300,200
Less amount representing interest	15,039
Present value of minimum lease payments	<u>\$ 285,161</u>

#### (6) **Pension Plan**

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.

- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$271,297.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$2,407,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.048423%, which was a decrease of 0.001724% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$181,122. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,372	-
Changes of assumptions	66,280	-
Net difference between projected and actual earnings on pension plan investments	360,183	560,536
Changes in proportion and differences between District contributions and proportionate share of contributions	-	75,110
District contributions subsequent to the measurement date	271,297	-
Total	\$ 734,132	635,646

**North Mahaska Community School District**  
**Notes to Financial Statements**  
**June 30, 2016**

\$271,297 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2017	\$ (84,596)
2018	(84,596)
2019	(84,596)
2020	84,291
2021	(3,314)
	<u>\$ (172,811)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% (higher 8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,214,791	\$ 2,407,324	\$ 881,692

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$36,565 for legally required employer contributions and \$24,363 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### (7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 65 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 72,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	(5,000)
Annual OPEB cost	73,000
Contributions made	(51,168)
Increase in net OPEB obligation	21,832
Net OPEB obligation beginning of year	145,168
Net OPEB obligation end of year	\$ 167,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$51,168 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 83,000	56.63%	\$ 36,000
June 30, 2011	83,274	56.44%	72,274
June 30, 2012	83,549	63.44%	102,823
June 30, 2013	86,000	89.33%	112,000
June 30, 2014	85,567	92.33%	118,567
June 30, 2015	85,601	68.92%	145,168
June 30, 2016	73,000	70.09%	167,000

**Funded Status and Funding Progress** - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$544,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$544,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,400,000, and the ratio of the UAAL to covered payroll was 16.0%. As of June 30, 2016, there were no trust fund assets.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.



**(8) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$210,606 for the year ended June 30, 2016, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Commitments and Contingencies**

The District is a defendant in a worker's compensation claim. Any potential judgment is not expected to exceed insurance coverage and it is the opinion of management in consultation with legal counsel that the final settlement of this matter will not result in a material adverse effect on the financial position of the District.

**(11) Restatement**

Beginning net position for governmental activities were restated to retroactively report adjustments to beginning balances, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2015, as previously reported	\$ 5,383,920
Beginning General Fund adjustment	(308)
Beginning Activity Fund adjustment	<u>(1,686)</u>
Net position July 1, 2015, as restated:	<u><u>\$ 5,381,926</u></u>

### **Required Supplementary Information**

**North Mahaska Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Fund**  
**Required Supplementary Information**  
**Year ended June 30, 2016**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 3,523,037	134,855	3,657,892	3,576,856	3,576,856	81,036
Intermediate sources	11,809	-	11,809	10,000	10,000	1,809
State sources	3,270,504	2,280	3,272,784	3,183,833	3,183,833	88,951
Federal sources	199,905	147,446	347,351	305,000	305,000	42,351
Total revenues	7,005,255	284,581	7,289,836	7,075,689	7,075,689	214,147
Expenditures/Expenses:						
Instruction	4,854,625	-	4,854,625	4,875,000	4,875,000	20,375
Support services	1,648,850	-	1,648,850	2,508,000	2,508,000	859,150
Non-instructional programs	8,552	274,735	283,287	345,000	345,000	61,713
Other expenditures	723,217	-	723,217	1,170,742	2,500,000	1,776,783
Total expenditures/expenses	7,235,244	274,735	7,509,979	8,898,742	10,228,000	2,718,021
Excess(deficiency) of revenues over(under) expenditures/expenses	(229,989)	9,846	(220,143)	(1,823,053)	(3,152,311)	2,932,168
Other financing sources, net	3,816,633	-	3,816,633	-	-	3,816,633
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	3,586,644	9,846	3,596,490	(1,823,053)	(3,152,311)	6,748,801
Balances beginning of year, as restated	2,521,723	(17,809)	2,503,914	2,109,522	2,109,522	394,392
Balances end of year	\$ 6,108,367	(7,963)	6,100,404	286,469	(1,042,789)	7,143,193

See accompanying independent auditor's report.

**North Mahaska Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2016**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In Accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutory prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Cod of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,329,258.

During the year ended June 30, 2016, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**North Mahaska Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**For the Last Two Years\* (In Thousands)**  
**Required Supplementary Information**

	2016	2015
District's proportion of the net pension liability	0.048423%	0.050147%
District's proportionate share of the net pension liability	\$ 2,407	2,030
District's covered-employee payroll	\$ 3,338	3,349
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.62%
IPESRS' net position as a percentage of the total pension liability	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

**North Mahaska Community School District**  
**Schedule of District Contributions**  
**Iowa Public Employees' Retirement System**  
**For the Last 10 Years (In Thousands)**  
**Required Supplementary Information**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 271	298	299	281	252	219	214	203	171	157
Contributions in relation to the statutorily required contribution	(271)	(298)	(299)	(281)	(252)	(219)	(214)	(203)	(171)	(157)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,038	3,338	3,349	3,244	3,118	3,155	3,219	3,201	2,833	2,723
Contributions as a percentage of covered-employee payroll	8.92%	8.93%	8.93%	8.66%	8.08%	6.94%	6.65%	6.34%	6.04%	5.77%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**North Mahaska Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2016**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	- \$	615,000	615,000	0.0%	\$ 3,200,000	19.2%
2012	July 1, 2009	-	615,000	615,000	0.0%	3,200,000	19.2%
2013	July 1, 2012	-	651,000	651,000	0.0%	3,200,000	20.3%
2014	July 1, 2012	-	651,000	651,000	0.0%	3,300,000	19.7%
2015	July 1, 2012	-	651,000	651,000	0.0%	3,300,000	19.7%
2016	July 1, 2015	-	544,000	544,000	0.0%	3,400,000	16.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

See accompanying independent auditor's report.



## **Supplementary Information**

## Schedule 1

**North Mahaska Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue Funds		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 172,996	223,449	396,445
Receivables:			
Property tax:			
Delinquent	2,471	-	2,471
Succeeding year	235,029	-	235,029
<b>Total assets</b>	<b>\$ 410,496</b>	<b>223,449</b>	<b>633,945</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
	\$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	235,029	-	235,029
Total deferred inflows of resources	235,029	-	235,029
Fund balances:			
Restricted for:			
Management levy purposes	175,467	-	175,467
Student activities	-	223,449	223,449
Total fund balances	175,467	223,449	398,916
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 410,496</b>	<b>223,449</b>	<b>633,945</b>

See accompanying independent auditor's report.

## Schedule 2

**North Mahaska Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2016**

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 220,404	-	220,404
Other	15,985	337,174	353,159
State sources	1,515	-	1,515
Total revenues	237,904	337,174	575,078
Expenditures:			
Current:			
Instruction:			
Regular	39,077	-	39,077
Other	-	336,359	336,359
Support Services:			
Student	428	-	428
Instructional staff	428	-	428
Administration	18,230	-	18,230
Operation and maintenance of plant	126,818	-	126,818
Transportation	22,513	-	22,513
Non-instructional programs	8,552	-	8,552
Total expenditures	216,046	336,359	552,405
Excess (deficiency) of revenues over (under) expenditures	21,858	815	22,673
Fund balance beginning of year, as restated	153,609	222,634	376,243
Fund balance end of year	\$ 175,467	223,449	398,916

See accompanying independent auditor's report.

## Schedule 3

**North Mahaska Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2016**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Sports Physicals	\$ 1,919	2,000	1,225	2,694
All School Play	1,385	-	-	1,385
All School Musical	2,388	2,506	1,384	3,510
Speech	1,539	449	353	1,635
Elementary Band	366	466	788	44
High School Band	-	10	10	-
Vocal Admission	3,089	951	626	3,414
Flags	92	-	-	92
Band Admissions	-	-	-	-
Athletic Pop	7,860	1,916	63	9,713
District Football	522	-	522	-
Athletic Resale	1,930	1,530	3,460	-
Football Cheerleaders	1,510	801	1,992	319
Baseball Concessions	6,195	5,683	8,943	2,935
Softball Concessions	5,670	8,908	7,721	6,857
Basketball Cheerleaders	-	300	-	300
Athletic Misc	20,170	30,971	24,444	26,697
Wrestling Cheerleaders	462	-	-	462
Softball	1,196	15	-	1,211
Dance Team	1,560	3,841	2,284	3,117
Boys Basketball Gate	-	7,041	7,041	-
Boys Basketball	1,449	-	160	1,289
Football	1,214	470	1,046	638
Football Gate	-	11,412	11,412	-
Baseball Gate	-	3,296	3,296	-
Baseball	-	150	-	150
Boys Track Gate	-	3,165	3,165	-
Boys Track	1,144	535	107	1,572
Golf Gate	-	2,099	2,099	-
Golf	350	1,550	403	1,497
Wrestling Gate	-	1,333	1,333	-
Wrestling	-	150	-	150
Girls Basketball Gate	-	4,774	4,774	-
Volleyball Gate	-	6,708	6,708	-
Volleyball	1,073	-	34	1,039
Girls Basketball	986	-	160	826
Softball Gate	-	7,989	7,989	-
Girls Track Gate	-	1,716	1,716	-
Girls Track	817	150	107	860
Cross Country Gate	-	40	40	-
Cross Country	-	150	-	150
Music Boosters	6,344	2,872	4,779	4,437
Athletic Boosters	13,764	21,475	27,281	7,958
Computer Resale	-	600	600	-
Mat Club	6,743	4,159	4,248	6,654
High School Donations	949	169	587	531
High School Fundraiser	1,469	284	1,144	609

## Schedule 3

**North Mahaska Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2016**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Interest	921	1,466	1,934	453
After Prom Party	600	11,351	11,351	600
Yearbook	1,562	10,347	10,907	1,002
National Honor Society	-	619	619	-
Spanish Club	-	1,615	1,427	188
Senior Class Trip	648	-	-	648
Washington DC Trip	950	-	-	950
Student Health	342	26	-	368
FFA	2,306	18,053	20,359	-
FFA Foundation	6,612	285	3,200	3,697
FFA Farm	29,012	12,238	11,034	30,216
FFA Greenhouse	2,544	348	1,218	1,674
Archery Club	9,017	8,884	12,919	4,982
Band Fundraiser	4,490	4,618	3,830	5,278
Champion Signs	25	-	25	-
School Fund Concessions	30,527	27,054	20,183	37,398
Student Council	-	832	832	-
Elementary Fundraiser	16,870	21,839	22,902	15,807
Rocket Team	62	631	580	113
Class of 2009	-	5	5	-
Class of 2016	2,322	21,437	23,759	-
Class of 2017	1,123	13,974	10,159	4,938
Class of 2018	630	215	-	845
Class of 2019	255	160	-	415
Class of 2020	195	223	-	418
Class of 2021	-	145	-	145
NM Clay Target Shooters	6,713	21,337	21,481	6,569
Warhawk Laser Art	1,588	11,144	6,888	5,844
Water Bottle Sales	-	1,483	1,483	-
Grain For Grads	3,968	4,211	3,875	4,304
TJ Goemaat Memorial	5,197	-	1,345	3,852
Totals	\$ 222,634	337,174	336,359	223,449

See accompanying independent auditor's report.

**North Mahaska Community School District**  
**Combining Balance Sheet**  
**Capital Projects Fund Accounts**  
**June 30, 2016**

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 992,421	3,419,958	150,255	4,562,634
Receivables:				
Property tax:				
Delinquent	-	-	799	799
Succeeding year	-	-	73,169	73,169
Due from other governments	104,306	-	-	104,306
<b>Total assets</b>	<b>\$ 1,096,727</b>	<b>3,419,958</b>	<b>224,223</b>	<b>4,740,908</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	49,127	-	49,127
Total liabilities	-	49,127	-	49,127
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	73,169	73,169
Total deferred inflows of resources	-	-	73,169	73,169
Fund balances:				
Restricted for:				
School infrastructure	1,096,727	3,370,831	-	4,467,558
Physical plant and equipment	-	-	151,054	151,054
Total fund balances	1,096,727	3,370,831	151,054	4,618,612
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,096,727</b>	<b>3,419,958</b>	<b>224,223</b>	<b>4,740,908</b>

See accompanying independent auditor's report.

## Schedule 5

**North Mahaska Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Projects Fund Accounts**  
**Year ended June 30, 2016**

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	71,306	71,306
Other	60,819	733	51	61,603
State sources	638,238	-	490	638,728
Total revenues	699,057	733	71,847	771,637
Expenditures:				
Instruction:				
Regular	371,101	-	6,374	377,475
Support Services:				
Instructional staff	-	-	2,534	2,534
Administration	-	-	11,090	11,090
Operation and maintenance of plant	52,459	-	-	52,459
Transportation	2,200	-	3,606	5,806
Other Expenditures				
Facilities acquisition	144,190	146,691	2,560	293,441
Total expenditures	569,950	146,691	26,164	742,805
Excess of revenues over expenditures	129,107	(145,958)	45,683	28,832
Other financing sources(uses):				
LOSST revenue bonds issued	3,580,000	-	-	3,580,000
Bond issuance costs	(63,211)	-	-	(63,211)
Proceeds from capital leases	285,161	-	-	285,161
Operating transfers in	-	3,516,789	-	3,516,789
Operating transfers (out)	(3,735,959)	-	-	(3,735,959)
Total other financing sources(uses)	65,991	3,516,789	-	3,582,780
Change in fund balances	195,098	3,370,831	45,683	3,611,612
Fund balances beginning of year	901,629	-	105,371	1,007,000
Fund balances end of year	\$ 1,096,727	3,370,831	151,054	4,618,612

See accompanying independent auditor's report.

## Schedule 6

**North Mahaska Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**Year ended June 30, 2016**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 4,538	30,074	36,486	(1,874)
<b>Total assets</b>	<b>\$ 4,538</b>	<b>30,074</b>	<b>36,486</b>	<b>(1,874)</b>
<b>Liabilities</b>				
Accounts payable	\$ 4,538	30,074	36,486	(1,874)
<b>Total liabilities</b>	<b>\$ 4,538</b>	<b>30,074</b>	<b>36,486</b>	<b>(1,874)</b>

See accompanying independent auditor's report.



**North Mahaska Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 2,578,288	2,703,728	2,343,236	2,980,589	2,971,818	2,996,000	2,616,631	2,401,710	2,307,783	2,289,190
Tuition	468,351	525,065	393,983	347,465	269,185	266,605	214,043	218,320	244,659	250,820
Other	476,398	431,959	435,620	433,058	502,345	544,431	439,368	725,426	394,722	422,997
Intermediate sources	11,809	10,507	10,407	9,150	8,000	7,378	7,201	-	-	-
State sources	3,270,504	3,265,582	3,530,267	2,622,728	2,682,001	2,504,761	2,257,816	2,575,799	2,621,155	2,487,339
Federal sources	199,905	217,568	185,335	155,229	257,872	265,400	462,984	193,662	156,835	157,417
Total	\$ 7,005,255	7,154,409	6,898,848	6,548,219	6,691,221	6,584,575	5,998,043	6,114,917	5,725,154	5,607,763
Expenditures:										
Instruction:										
Regular	\$ 3,071,020	2,838,029	2,775,595	2,745,123	2,951,172	2,566,141	2,556,376	2,537,679	3,351,499	3,145,711
Special	775,092	793,741	866,860	830,164	660,994	631,048	644,938	632,572	N/A	N/A
Other	1,008,513	709,884	703,687	631,779	724,046	667,494	631,619	590,060	N/A	N/A
Support services:										
Student	124,061	113,399	102,804	99,050	82,743	71,253	69,710	82,166	127,220	113,123
Instructional staff	160,962	161,874	163,904	292,794	298,369	275,325	200,754	207,076	214,305	190,871
Administration	570,732	625,635	564,009	593,395	614,968	557,737	543,325	526,528	504,869	515,313
Operation and maintenance of plant	520,305	482,084	383,060	459,133	391,346	373,717	382,440	397,334	329,219	333,837
Transportation	272,790	372,476	300,315	305,646	436,489	346,421	266,134	316,929	324,807	259,081
Non-instructional programs	8,552	8,062	-	5,850	5,000	5,000	8,115	4,500	4,500	4,500
Other expenditures:										
Facilities acquisition	293,441	448,442	281,655	119,337	182,205	75,257	49,994	814,603	100,541	84,957
Long-term debt:										
Principal	209,741	211,493	198,346	206,097	365,000	365,000	330,000	320,000	305,000	295,000
Interest and other charges	9,429	15,042	20,189	19,538	19,843	27,389	98,007	82,764	95,375	106,873
AEA flowthrough	210,606	211,817	213,576	197,639	197,409	216,272	213,983	200,559	188,083	176,431
Total	\$ 7,235,244	6,991,978	6,574,000	6,505,545	6,929,584	6,178,054	5,995,395	6,712,770	5,545,418	5,225,697

See accompanying independent auditor's report.

**North Mahaska Community School District**



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of North Mahaska Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Mahaska Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Mahaska Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Mahaska Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Mahaska Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Mahaska Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### North Mahaska Community School District's Responses to Findings

North Mahaska Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. North Mahaska Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Mahaska Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

March 16, 2017

**Part I: Findings Related to the Financial Statements:**  
**INTERNAL CONTROL DEFICIENCY:**

- A      Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters noted.

**Part II: Other Findings Related to Required Statutory Reporting:**

- 1      Certified Budget - Expenditures for the year ended June 30, 2016, did not exceed the certified budget amounts.
- 2      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 3      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 4      Business Transactions – No business transactions between the District and District officials or employees were noted.
- 5      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 6      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 7      Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.  
  
Recommendation - The certified enrollment data should be corrected.  
  
Response - The Iowa Department of Education and the Iowa Department of Management will be notified of the errors.  
  
Conclusion - Response accepted.
- 8      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 9      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 10     Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

**North Mahaska Community School District**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

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11 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

12 Deficit Balance - The School Nutrition fund had a deficit balance at June 30, 2016.

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in the School Nutrition fund.

Response - The District is continuing to investigate alternatives to eliminate the deficit in the School Nutrition fund at the end of the fiscal year.

Conclusion - Response accepted.

13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	901,629
Revenues/transfers in:			
Sales tax revenues	\$	638,238	
Other local revenues		60,819	
Proceeds from capital leases		285,161	
Sale of long-term debt		3,580,000	4,564,218
			<u>5,465,847</u>
Expenditures/transfers out:			
Equipment		569,950	
Debt issuance costs		63,211	
Transfers to other funds:			
Other capital projects		3,516,789	
Debt service fund		219,170	4,369,120
			<u>1,096,727</u>
Ending balance		\$	

For the year ended June 30, 2016, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy	
	Reduction Per	
	\$1,000 of Taxable	Property Tax
	Valuation	Dollars Reduced
Debt service levy	\$ 0.51000	111,078